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ABSTRACT

This publication is intended to assist economic decision makers in designing strategies for maximizing the economic development contributions of entrepreneurship and small business in Illinois. The challenges and opportunities for economic development through enhancement of entrepreneurial activity in the State are discussed. Various successful economic development strategies and a 12-step economic development model are presented. Addressed next are the small business crest in America and the economic impact of entrepreneurship and small business in both the United States in general and in Illinois in particular. The next two sections of the guide deal with job creation and the small business climate. The characteristics of small business owners are outlined, and strategies for assisting entrepreneurs are presented. The next sections cover the benefits and essential dimensions of incubators to shelter entrepreneurs. The concluding portions of the guide deal with the scope and benefits of entrepreneurship education in general and with specific entrepreneurship programs either already in existence or recommended for implementation in Illinois. (MN)

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ILLINOIS DEVELOPMENT COUNCIL

Strategies for Maximizing the Contributions of Small Business and Entrepreneurship to Economic Development

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President Ronald Reagan has declared that this is "The Age of the Entrepreneur", Governor James Thompson has created an Illinois Small Business Advisory Council, and the Illinois Department of Commerce and Community Affairs has significantly increased their support for small business. All of this has happened since the economic downturn in 1980-1983.

Within the next two months alone there will be five major small business conferences. Illinois has been selected to conduct one of ten statewide Minority Business Development Conferences to be held nationally in cooperation with the U.S. Department of Commerce and the National Center for Research in Vocational Education. The August 21, 1985 conference will be followed by one designed to create a Council for Entrepreneurship Education in the state of Illinois. The Illinois State House Conference on Small Business will be held on September 12, 1985 followed by the Illinois White House Small Business Conference the next day in Springfield. A second Illinois White House Small Business Conference will be held October 24, 1985 in Chicago.

Yes, small business and entrepreneurship have been recognized. Small business acting in concert with big business, education and government can accomplish three vital tasks for the citizens of Illinois: directing the economy toward prosperity, creating jobs, and enhancing the quality of life.

This paper has been prepared to help assist economic decision-makers in designing strategies for maximizing on the economic development contributions of entrepreneurship and small business. The financial support for conducting the research and development activities for this paper over the past four years was provided by the Department of Adult Vocational and Technical education of the Illinois State Board of Education. The Illinois Development Council provided for the printing and dissemination.

This is the second paper that has been jointly supported by these two organizations. The first one entitled *Illinois Management Model for Economic Development,* is now in the third printing and has been recognized nationally by the National Center for Research in Vocational Education. Requests for copies of the paper have come from over twenty-five states and numerous state and federal agencies.

Hopefully this paper will help to provide additional guidelines and strategies for creating and fostering private and public sector partnerships at the local, regional, state and national levels. The need to maximize the use of various types of cooperative and collaborative efforts has never been greater.

E. Edward Harris

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ILLINOIS DEVELOPMENT COUNCIL

Strategies for Maximizing the Contributions of Small Business and Entrepreneurship to Economic Development

"If we could first know where we are, and whither we are tending, we could better judge what to do, and how to do it."

Abraham Lincoln 1858

The quotation by Abraham Lincoln was just as appropriate for economic development leadership personnel in Illinois during the 1980-1983 economic downturn as it was back in the 1850's. Economic development begins at the local level and is a long term development process that begins by determining the "competitive advantage."

Challenges and Opportunities

Research conducted at the Massachusetts Institute of Technology, Brookings Institute, Harvard, SRI International, Northeast-Midwest Institute, and Northern Illinois University highlight the need for effective long-term economic revitalization strategies:

- The inability of commerce and industry to adjust and implement new technology, which is changing every 5-7 years, is the most crucial problem facing America.
- Collectively the Fortune 500 companies have not added a single net job to the economy, in fact in the past decade they have lost four or five million jobs. Therefore most of the twenty million jobs we have been able to count have come from small, new enterprises.
- Approximately 50 percent of the jobs in a given area change every five years and only 1-2 percent is due to relocation of commerce and industry.
- A trained workforce is the key to increased economic efficiency. Constant retraining and updating is a necessity. Investment in human resources is both the quickest and most efficient way of increasing productivity.
- The ability to develop the "spirit of entrepreneurship" is the key to the future.

These challenges and opportunities have emerged as a result of several key factors that have been clearly identified in the 1984 report of the American Economic Development Council:

- In the past decade, worldwide structural and cyclical changes in economic conditions and trends have catapulted developed nations, including the United States, into a global economy.
- Management and labor in many of America's mature industries have failed to remain competitive in technology, product quality, and per-unit costs.
- Many areas in the United States have failed to maintain "community competitiveness" for investment, in some areas due to neglect (e.g., public infrastructure, deterioration in older cities) and others to short-sightedness (e.g., diminishing water resources in parts of the Southwest caused by overdevelopment).
- Principally as a consequence of the first three factors, participation has expanded in economic development decision making and initiatives at all levels of our economic system, particularly through the involvement of private-sector leaders in both business and labor.
- Financial support by the federal government for local development organizations and initiatives has been substantially reduced, leading to a corresponding increase in competition among local development organizations for support from both local and state governments and, increasingly, from commerce, industry, and foundations.

Productivity in America must keep pace with other industrial nations. In the short run, lagging productivity increases inflation and unemployment, lessens the standard of living, and decreases the abilitiy of the United States to compete successfully in world markets. Productivity affects employment rates directly in two ways. First, lagging productivity reduces U.S. firms' market share in foreign markets for U.S. products, which in turn, means layoffs. Second, lagging productivity causes excessive inflation. Research by Anthony Carneval shows that to reduce inflation by one percent, America must throw a million people out of work for three years, which adds over $25 billion to the national deficit.

Since 1972, the United States has slipped from second to seventh in the percent of skilled workers in the work force. Exports steadily declined in the level of technical skills required for their manufacture, while American imports increase in technical skill required.

Herbert Striner, recognized expert on productivity, made the following statement, "The wealth of any nation is a well-trained specialized labor force". Yet according to Striner, "The U.S. has shown itself unwilling to invest in major training and education efforts to serve the skill needs of our private and public sectors. This inadequate investment in human resources is directly tied to our problems of inflation and productivity."

Robert B. Reich, writing in *The Next American Frontier*, identified the central thrust of the economic development problem and highlighted the need for long term strategies to revitalize the economy when he stated, "Everywhere America has looked, it has seen the symptoms of its economic impasse, but it has been unable to recognize the actual cause because the roots of the problem are so deeply embedded in our business enterprises, labor unions, and government institutions."

According to a 1983 survey conducted by Opinion Research Corporation for the LTV Corporation of over 500 opinion leaders throughout the United States (business executives, members of the media, labor union leaders, public interest groups, elected and appointed state government officials, and members of the academic community), two-thirds of this diverse group believe that the economic changes taking place in the United States today are not part of the normal business cycle with its periodic upswings and downturns, but are basic and permanent.

Recent U.S. Department of Labor data show that during the harsh recession in the early 1980s, plant closings and widespread layoffs caused the number of manufacturing jobs in the Great Lakes states to slide to 3.8 million from 5.2 million, the lowest level since early in World War II. Mainly because of industry's drive to cut labor costs and reinvigorate itself, the five states — Ohio, Michigan, Illinois, Indiana and Wisconsin — have since gained back only 400,000 of the 1.4 million lost jobs, a much smaller proportion than in most previous recoveries. This view was confirmed by a recent SRI International study.

While research does identify the major reasons for economic development problems such as lagging productivity, rapid changes in technology, and a 50% change in the job base every five years, it is far from conclusive on how to revitalize the economy.

The future of Illinois depends on the aggregate decisions made. If these decisions are made in the state's economy as a whole, over the long term the result will be to revitalize the economy and reduce its vulneralibity to business cycles. If those decisions are based on what is easiest over the short term and the hard issues are avoided, Illinois will continue to fall behind other areas of the country. Individual industries in Illinois are already beginning to show the way to long-term economic growth. This paper will show, two quite different scenarios for the state's economy is possible. Without concerted action to solve basic long-term problems, the outlook for the rest of the decade is for weak cyclical growth, and high unemployment will remain. If, on the other hand, problems are successfully addressed, the state could add millions of jobs by the turn of the century and enjoy the benefits of a lasting revitalization of its economy.

There are clear opportunities for the private and public sectors to take major steps that will help to restore Illinois competitiveness and revitalize key industries. These include technology utilization, management practices, labor relations, education and training, and capital investment.

The basic premise of this paper is that the best way to accomplish these steps is through

public/private partnerships that generate new jobs by enabling the startup and profitable growth of small businesses rather than through programs that entail major new state outlays in the current period of overburdened budgets.

During the last decade, small firms generated 80 percent of all new jobs in the United States. Small, young firms generated about 80 percent of all replacement jobs. The firms that generate the most new jobs are the most difficult to reach through conventional policy initiatives. Small firms produce 24 times more innovations per research dollar than large firms. In difficult economic times, when large companies tend to reduce employment, there is an increase in small business start-ups, which translates to critical job creation in declining areas.

Successful Economic Development Strategies

The ability of a nation, state, region, or community to respond to the challenges inherent in being an integral part of a highly competitive international market requires careful planning. To be most effective, the economic development planning process must be customized so as to maximize competitive advantages. This planning challenge is particularly acute and complex when technology is changing at such a rapid pace.

During the past five years the author has been engaged in economic development research for the Department of Adult, Vocational and Technical Education of the Illinois State Board of Education. The catalyst for initiating this research and development activity was a meeting which took place on March 8, 1982 in the conference room of one of the major corporations in Illinois when the president said, "If we didn't have such a major capital investment in this area, we would consider moving not only the portion of our operation now under consideration but our total operation to a location where we could operate more profitably."

Answers to questions such as the following had to be answered: What would be the impact of losing this 50-70 billion dollar business to the community and the state of Illinois? What can be done to help this corporation be as profitable in Illinois as it would be in the Sun Belt states? What small businesses have emerged or could be started to support this type of industry?

The impact of this and similar statements by leaders in commerce and industry, plus a realization that Illinois would be facing declining state revenues in the years ahead, served as the rationale for the structuring of a realistic economic development model. The realities are that state government neither has the resources nor the capabilities to continually revitalize and restructure the economic base of every community in Illinois when 50 percent of the job base is changing every five years. The primary role of state government must out of necessity be that of helping to improve the state business climate and providing support needed by local and regional economic development agencies. The model was built upon the belief that economic development must begin on the local/regional level, with broad-based community support and commitment. The model was also built around the strong belief that economic development is contingent upon having a well organized economic development commission and a competent staff which serves as the "marketer" for the community and/or region.

An Economic Development Model

The ability of a nation, state, region, or a community to respond to the challenges inherent in being an integral part of a highly competitive international market requires careful planning. To be most effective, the economic development planning process must be customized so as to maximize competitive advantages. This planning challenge is particularly acute and complex when technology is changing at such a rapid pace.

A local, regional and state model for revitalizing the economy in the state of Illinois has been designed, field-tested, and printed in a publication entitled *State of Illinois Management Model for Economic Development.* The major goal of the model is to foster and strengthen commerce and industry retention and expansion efforts by: (1) increasing productivity, (2) decreasing business failures, (3) encouraging entrepreneurship, and (4) creating a favorable business climate through community support. Figure 1 graphically illustrates the process-

oriented management model for economic development.

The model as designed was based on twelve carefully conceived premises.

1. Economic development begins "at home". The key is a knowledgeable and competent local and/or regional economic development council with a well trained and highly motivated staff.
2. Economic revitalization can only take place if there is maximum cooperation and collaboration between and among commerce, industry, education, labor, government, and community agencies.
3. Cooperative and collaborative efforts will be most successful when the participating partners involved can clearly and fully see how they will benefit.
4. Effective private and public sector cooperative arrangements on a local and regional basis help eliminate duplication of efforts and minimize the use of scarce resources.
5. Small business, which generated almost all of the 20 million new jobs in the past decade, will continue to be the prime creator of new jobs in America in the next 10 years.
6. Investment in human resources is the best way to increase innovation, productivity and quality of life.
7. The most cost-effective way to create new jobs is through training for existing firms as opposed to bringing in new corporations.
8. Local and regional needs and differences can be most effectively addressed if given adequate support from private and public sector organizations--a grassroots model.
9. Unemployment and economic decline-related problems will emerge in various communities and regions at different times. There is little need to try to provide supportive services until a community "hurts enough" and is ready to address its own problems and make a full commitment to implement economic revitalization strategies.
10. Educational institutions can become significantly more effective in marketing their services and improving their capacity to provide the research, technical assistance and training needs of commerce and industry.
11. Education plays a key role in the economic revitalization scenario and must make an appropriate commitment.
12. The need for government to keep costs down, to create a favorable tax climate, and to work in partnership with labor and management to develop strategies for effective international markets has never been greater.

A copy of the complete model and the strategies for implementation is available from Michael Boer, President of the Illinois Development Council, Springfield Chamber of Commerce, Springfield, IL 62701. The remainder of this publication will be devoted to addressing these four foundations of economic development with a primary emphasis on entrepreneurship education as a viable economic development strategy.

Economic Development Strategies

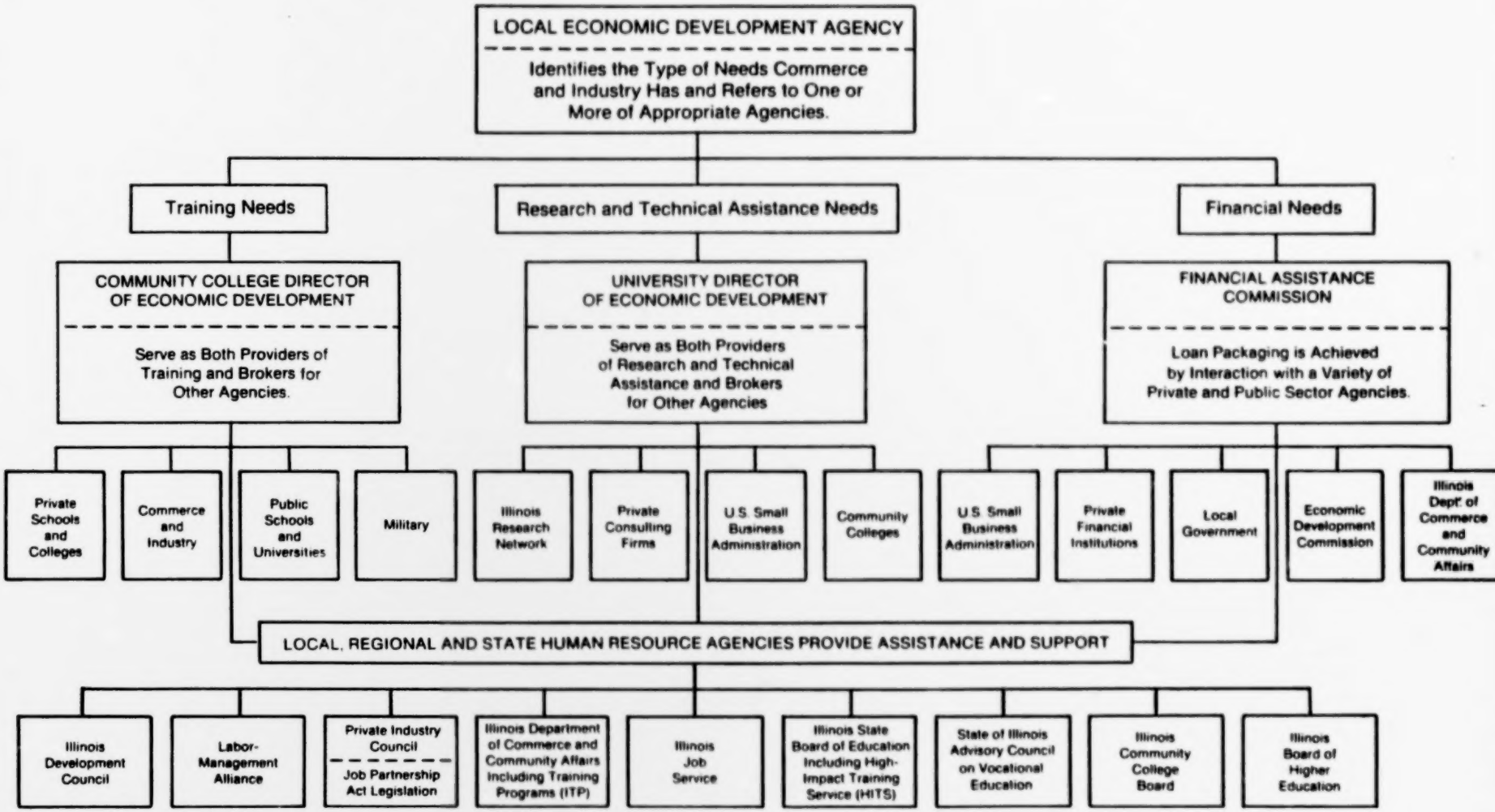
Economic Development begins with a knowledgeable and competent local and/or regional economic development commission and staff. The American Economic Development Council (AEDC) had identified the three major challenges for the economic development professional as follows: (1) leadership in the development of a community economic development strategy; (2) development of a coordinated approach to community economic development; (3) expansion of linkages with educational and financial institutions, labor, or other civic organizations that can support the community's economic development objectives.

The AEDC has also prepared a comprehensive listing of activities, techniques and tools that must be employed by economic developers. The list which is presented in Figure 2 illustrates the complexity of economic development and the key roles that the professional economic developer must perform.

Figure 1

Management Model for Economic Development

Role of Education in the Economic Development Process— "Improving Quality of Life"


LOCAL ECONOMIC DEVELOPMENT AGENCY
Identifies the Type of Needs Commerce and Industry Has and Refers to One or More of Appropriate Agencies.
Training Needs
Research and Technical Assistance Needs
Financial Needs
COMMUNITY COLLEGE DIRECTOR OF ECONOMIC DEVELOPMENT
Serve as Both Providers of Training and Brokers for Other Agencies.
UNIVERSITY DIRECTOR OF ECONOMIC DEVELOPMENT
Serve as Both Providers of Research and Technical Assistance and Brokers for Other Agencies
FINANCIAL ASSISTANCE COMMISSION
Loan Packaging is Achieved by Interaction with a Variety of Private and Public Sector Agencies.
Private Schools and Colleges
Commerce and Industry
Public Schools and Universities
Military
Illinois Research Network
Private Consulting Firms
U.S. Small Business Administration
Community Colleges
U.S. Small Business Administration
Private Financial Institutions
Local Government
Economic Development Commission
Illinois Dept. of Commerce and Community Affairs
LOCAL, REGIONAL AND STATE HUMAN RESOURCE AGENCIES PROVIDE ASSISTANCE AND SUPPORT
Illinois Development Council
Labor-Management Alliance
Private Industry Council
Job Partnership Act Legislation
Illinois Department of Commerce and Community Affairs including Training Programs (ITP)
Illinois Job Service
Illinois State Board of Education including High-Impact Training Service (HITS)
State of Illinois Advisory Council on Vocational Education
Illinois Community College Board
Illinois Board of Higher Education

E. Edward Harris
Revised July, 1984

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Figure 2

Activities, Techniques and Tools of Economic Development Programs

- **Job Development**
  - **Attraction**
    - Community profile and promotional brochure distribution
    - Media advertising
    - Mass mailings
    - Corporate headquarters visitation
    - Tax abatement/financial incentives
    - Trade fairs
  - **Retention/Expansion**
    - Existing plant visitation
    - Periodic roundtable business meetings
    - Labor training programs
    - Technical assistance
    - Tax abatement/financial incentives
    - Ombudsman
    - Provision of physical infrastructure and space
    - Labor management council
  - **Creation/Entrepreneurship**
    - Small business development manuals
    - Technical assistance
    - Entrepreneurial training
    - Labor training and placement
    - Tax abatement/financial incentives
    - Ombudsman
    - Industrial incubator
    - Industrial condominium
- **Financial incentives**
  - **Grants**
  - **Loans/Revolving fund**
  - **Interest subsidies**
    - Direct subsidies
    - Loan guarantees
    - Industrial revenue bonds
    - General obligation bonds
    - Umbrella bonds
  - **Equity and near-equity financing**
  - **Federal programs**
    - SBA (7a)
    - SBA (503)
    - UDAG
    - CDBG
    - Section 108
  - **Tax incentives**
- **Nonfinancial assistance**
  - **Business consulting**
    - Management training/seminars
      - Export seminars
    - Market studies
      - Export seminars
    - Site selection
      - Financing referrals
    - Consultant referral
  - **Licensing, regulation, and permitting**
  - **Job training**
  - **Research and development**
  - **Business procurement assistance**
  - **Specialty services**
  - **Information clearinghouse**
    - Resource library
- **Improvement of the business environment**
  - **Physical environment**
    - Public infrastructure development
    - Land banking
    - Speculative buildings
  - **Business councils and economic development corporations**

Foundations of Economic Development

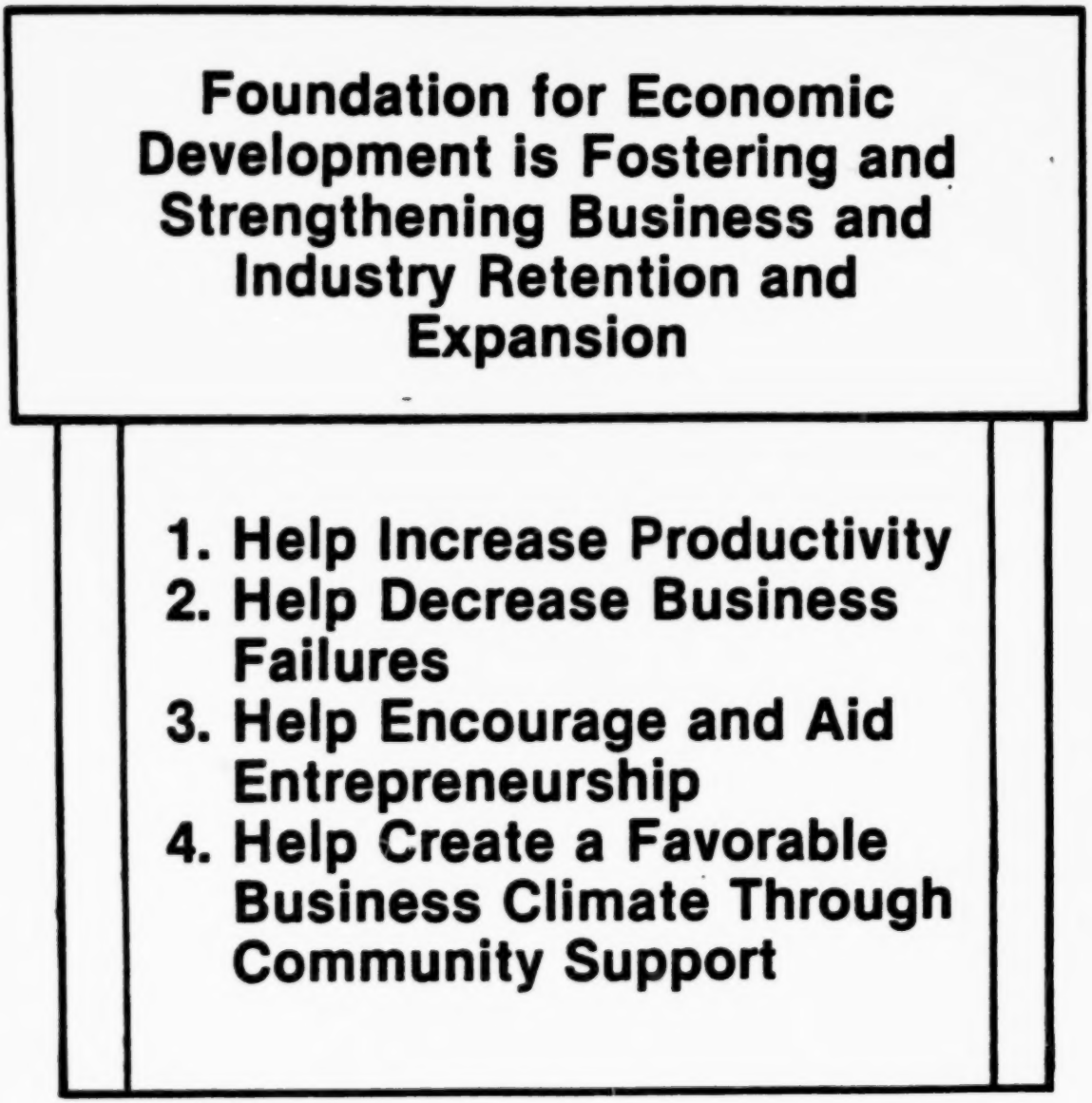
The most successful long term economic development strategies are those which focus primarily on commerce and industry retention and expansion. As shown in Figure 3 the strategies are organized around the following four foundations of the model: (1) help create a favorable climate for commerce and industry, (2) help increase productivity, (3) help increase business success rate, and (4) help encourage and aid entrepreneurship.

The strategies for achieving the first two objectives are presented in the Economic Development publication that was previously described. The remainder of this paper will focus on the contributions of small business to the economic base, how to increase the small business success rate, and how to encourage and aid entrepreneurship.

The Small Business Crest in America

President Reagan in extending greetings at the 1984 Small Business National Issues Conference summed up a national sentiment toward small business, when he said, "Small business employees about half of our private work force, contributes 42 percent of sales, and generates about 38 percent of our gross national products. Small firms are on the cutting edge of innovation, providing products, ideas, and opportunities for the future. Small business is dreaming impossible dreams and making those dreams come true. Indeed, small business *is* America."

Figure 3


Foundation for Economic Development is Fostering and Strengthening Business and Industry Retention and Expansion
1. Help Increase Productivity
2. Help Decrease Business Failures
3. Help Encourage and Aid Entrepreneurship
4. Help Create a Favorable Business Climate Through Community Support

John Sloan, President of the National Federation of Independent Business, which represents more than half of a million small- and independent-businesses in America, while emphasizing the national popularity of small business and entrepreneurship said, "Small entrepreneurs are the 'good guys' doing 'good things' for an economy and society which have struggled over the last five years. Entrepreneurs are once again believed to be the future; bureaucracies are for the first time believed to be the past."

The Economic Impact of Entrepreneurship and Small Business

Today, there are approximately 16.8 million small businesses of which a major portion are one-person or family-owned enterprises. Small businesses, which employ one or more persons, generate most of the new jobs in the economy. It is well recognized that entrepreneurial activity contributes significantly to economic development and, for many people, provides self employment satisfactions.

Figure 4

- There are 16.8 million small businesses in the U.S.
- They represent 75.5 percent of all U.S. businesses.
- The created 47 percent of America's new jobs in 1983 – 2.65 million jobs – while industrial America cut 1.7 million
- They provide 67 percent of initial job opportunities and on-the-job training.
- They are primarily in the retail-wholesale, service and construction industries.
- The majority employ 20 or fewer.
- Fifteen small businesses are launched for every ten that fail.
- In 1983, small businesses achieved a new growth record of 12.9 percent.
- Female-owned small businesses are increasing at a rate of 35 percent, while male-owned are increasing at a rate of only 7 percent.

Source: U.S. Small Business Administration

The State of Small Business: A Report of the President May 1985 showed that the dynamic small business sector showed an extraordinary capacity to mobilize resources and generate new growth in the changing economy. Small business-dominated industries added jobs at a rate almost twice that of industries dominated by large firms: 11.4 percent compared to only 5.3 percent from November 1982 through October 1984.

Entrepreneurs incorporated approximately 325,000 new businesses in the first half of the year, an increase of 8.6 percent; startups, another measure of business growth, increased 7 percent. Small business failure and bankruptcy rates remained relatively constant, reflecting high rates of business formation in earlier periods. Bankruptcies were down and failures were up less than 1 percent for the first six months of 1984 compared to the same period in 1983.

Demand for new products or services generated small business growth, particularly in the services sector. Small business-dominated service firms registered a 12.6 percent increase in employment. Computer and data processing companies, advertising and mailing firms, and hotels showed sharply rising sales curves. Retail sales in small firms climbed 7 percent in the first half of the year, and certain retail industries dominated by small firms also expanded. Radio, television, and miscellaneous stores, for example, expanded sales 14 percent; retail bakeries increased sales 14 percent. Small residential construction businesses performed well, and special trade contractors, providing plumbing, painting, masonry and roofing services did exceptionally well, growing as much as 20 percent over 1983.

Historically, small businesses have responded quickly to structural change. Drawing upon their capacity for entrepreneurship, innovation, and job creation, small firms have weathered the uncertaintly of recessions and recoveries. Despite this strong record of new business and employment opportunities, a national debate has arisen on how best to deal with the issue of competitiveness and structural change.

Illinois and the Midwest still have important work to do in strengthening local and regional economies. Eighty percent of the new jobs created since 1980 have been in the Pacific, Northwest, Southwest, South Central, and Mountain regions. The continued growth of the service sector, outpacing growth in Illinois traditional manufacturing industries, reinforces the necessity for responsive programs to help workers make job transitions caused by economic dislocation. Small businesses can have a significant impact on providing job development and training initiatives.

The small business sector is particularly important in assisting regional economic transitions. The President's report found that younger workers, older workers, and female workers are more likely to be employed by small firms than large businesses. A major reason is that small businesses are more able to provide flexible and part-time working arrangements. While government and industry retraining programs are important, the small business role highlighted in the report should be considered concurrently with other employment-related initiatives.

These reports highlighted the fact that minority entrepreneurs are playing an increasingly important role in this recovery. Minority self-employed workers rose by 43 percent since 1982, a rate of 8 percent higher than white self-employed workers.

Small, minority-owned businesses also are showing a growing ability to take advantage of expanding business opportunities in the marketplace and have made modest gains in recent years. The percentage of minority self-employed has increased in relationship to wage-and-salary jobs, although to a lesser degree when compared with the majority work force. Minority-owned firms engaged in nontraditional businesses are as profitable as their nonminority counterparts.

The percentage of women in the labor force is projected to increase from 42 percent in 1982 to 48 percent in 1995, and will probably account for nearly two of every three additions to the labor force over the next decade. In 1984, there were 3.1 million women business owners. The number of female sole proprietors increased 46 percent in the five-year period ending in 1982; women's share of sole proprietorships increased from 23 percent in 1977 to 26 percent in 1982. Undoubtedly, women entrepreneurs are the fastest growing segment of the Nation's small business population.

There are several reasons for this dramatic growth. Because of wider opportunities for female wage-and-salary earners over the past several years, women have gained valuable work experience that is directly transferable to entrepreneurial skills. While employed in traditional occupations, women acquired the necessary experience for running all types of ventures, from retail stores to real estate companies. In blue collar occupations women also have made significant inroads in more male-dominated industries like construction, welding, and telephone repair.

Higher education is another entry to the business world for women. Always a path to upgrading personal potential, educational advancement has served as a direct avenue for women desiring to start their own businesses. More women are focusing on higher education, in nontraditional fields - such as aerospace, engineering, and electronics. The narrowing income gap between men and women should continue to narrow, as more women start businesses in those nontraditional professions and occupations.

Another explanation for the rapid growth in women-owned enterprises is the increasingly influential role of all small businesses. The shift from manufacturing to service-oriented industries has promoted an entrepreneurial economy in which small firms have taken the leadership. Clearly, women starting their own businesses are in an ideal position to contribute to this national trend.

Small Business in Illinois

In Illinois, there are 255,508 small businesses with under 500 employees. They represent 99.4 percent of all businesses in the state and employ 3,842,099 people or 66 percent of the total work force. These businesses, and especially those in manufacturing and services, are a precious resource that can help Illinois replace jobs lost in currently declining industries with jobs in the expanding industries of the future.

Individuals in many states adapted to the 1980-1983 recession by starting new businesses. The recession-induced increases in proprietorship income reflect the continued increases in self-employment between 1980 and 1982. For example, in Illinois, self-employment grew 5.3 percent between 1980 and 1982 compared with 4.3 percent for the Nation. As of January 1, 1984, there were 270,559 businesses in the state of Illinois. Fifty-five percent of the businesses had 4 or less employees while over 70 percent of the firms had less than 10 employees. Table 1 presents a comparison of the degree of small business employment.

Table 1

Least Small Business Employment[1]	Average Small Business Employment[2]	Most Small Business Employment[3]
Alabama	Arkansas	Alaska
Connecticut	California	Arizona
District of Columbia	Colorado	Florida
Georgia	Delaware	Idaho
Illinois	Hawaii	Kansas
Indiana	Iowa	Minnesota
Kentucky	Louisiana	Montana
Massachusetts	Maine	Nebraska
North Carolina	Maryland	New Hampshire
Ohio	Michigan	New Mexico
Pennsylvania	Mississippi	North Dakota
South Carolina	Missouri	Oklahoma
Tennessee	Nevada	Oregon
West Virginia	New Jersey	Rhode Island
	New York	South Dakota
	Texas	Vermont
	Utah	Wyoming
	Virginia	
	Washington	
	Wisconsin	

Job Creation

The implications of research conducted at both the Massachusetts Institute of Technology and Brookings Institute on job creation need to be carefully analyzed by policy-makers. The Massachusetts Institute of Technology Research shows that 50 percent of the jobs in a given area change every five years and that 80 percent of the replacement jobs are created by firms with 100 or fewer employees, and that 89 percent of the newly created jobs are in the service sector. However, the research conducted at the Brookings Institute shows that a significant portion of the growing, small establishments are branches or subsidiaries of large firms. "In fact, nearly half of the establishments with 20 to 99 employees are owned or controlled by larger firms." This means that, in general, the net employment growth contributions of both small and large businesses appear nearly proportional to their respective shares of the labor force.

Brookings Institute offers the following recommendations in planning for economic development.

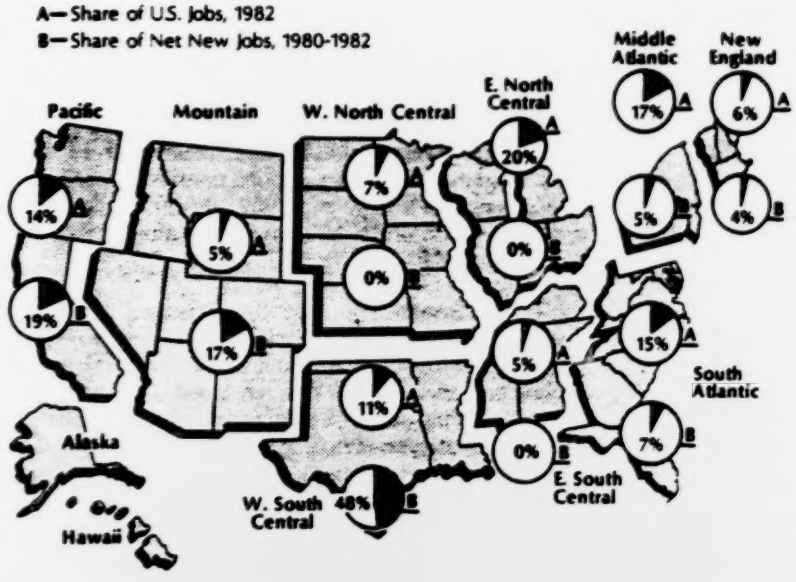
> Although the increase in employment attainable through the location of a large branch of a major firm is attractive, such occurrences are relatively rare and unlikely to provide the jobs needed for economic revitalization or survival. Furthermore, larger firms have the financial and managerial resources to shift their focus to expanding industries and regions while curtailing operations in declining areas. Thus, an obvious note of caution is due against overreliance on large multi-location firms as a foundation for long-term economic development.

Growth was the key word for the U.S. economy and for small business in 1984, as American businesses followed the normal patterns of a recovery. Small firms in particular continued to expand and adjust operations in a dynamic process that underlies a healthy market economy. As a major contributor to that growth, small businesses again led the way in productivity and job creation.

During the first half of the year, real gross national product (GNP) grew at an average rate of 8.6 percent, faster than the average for other recoveries. Industrial production and the unemployment level also improved more rapidly when compared to previous recovery periods. About 6.5 million new nonfarm jobs were created between November 1982 and October 1984. Corporate profits continued to rise in both large and small firms. Growth slowed during the third quarter, reducing inflationary pressure on the economy and pushing the average GNP growth rate up to 6 percent for the first three quarters.

Eighty-five percent of the new jobs created between 1980 and 1982 came from three regions of the United States: the Mountain, Pacific, and West South Central regions. These regions all contributed a large share of jobs relative to their share of employment in the United States in 1980 (Chart 1).

Chart 1



Nationally, small firms with under 20 employees generated virtually all of the 984,000 new jobs between 1980 and 1982 with the increase of 2.648 million jobs in small business offsetting the loss of approximately 1.664 million jobs in large firms. At the regional level, some of these offsetting effects were significant. There were 685,000 jobs lost in the East North Central, West North Central and East South Central regions between 1980 and 1982. Small firms with fewer than 100 employees generated 310,000 net new jobs to partially offset the job losses in large firms in these regions. Creation of new jobs by small firms in stagnant regions during the recession helped these regions through a period of economic adjustment. For example, while Illinois lost over 200,000 jobs from 1980 to 1982, new jobs in small retail trade firms with under 100 employees partially compensated for that loss.

The Small Business Climate

At a time when the substantial contributions of small business and entrepreneurs are becoming more apparent and better understood, there are also efforts being initiated to be more responsive to the needs of small businesses. Research is being conducted at state and national levels, small business conferences are being held, and strategies are being initiated by a wide array of private and public sector agencies. Participants in the June, 1984 National Small Business Issues Conference identified 41 issues and proposed courses of action. Partly as a result of this conference a White House Small Business Conference will be held in 1986. The top 12 issues that were identified in 1984 were:

1. Federal Deficit Reduction
2. Government Competition
3. Inequitable Effective Tax Rates
4. Simplification of Tax Rules and Regulations
5. Spiraling Payroll Taxes
6. Procurement
7. Grace Commission
8. Small Business Participating Debentures
9. International Trade Incentives/Disincentives
10. Reducing Regulatory Abuse and Paper Work Burden
11. Product Liability
12. Industrial Policy

The Illinois Small Business Conference which was held on May 15-16, 1984 was attended by over 400 delegates representing the 240,000 small businesses in the state of Illinois. The results of the two-day workshop sessions included 55 recommendations addressing issues paramount to the vitality of small business. The top five priority recommendations as voted by the delegates were as follows:

1. Make Illinois Worker's Compensations competitive with contiguous states.
2. Reduce Unemployment Insurance Benefit levels.
3. Advocate for creation of incentives for Private Sector investment in small business.
4. Enact "Right to Work" Legislation.
5. Direct the Illinois Department of Revenue to stream line administrative procedures to reflect the legislative intent of tax laws and to respond to taxpayer problems.

The September 1985 Illinois Small Business Conference will be designed to focus on action taken to impact on the 1984 recommendations and to set the stage for an action plan in 1985-86.

The small business climate in the state of Illinois continues to receive mixed reviews. The results of a survey published in *Crain's Chicago Business* April 23 and April 30, 1984, showed that 38 percent of the businesses located in the city of Chicago were so dissatisfied with taxes, the political situation and other factors contributing to the business climate, that management was considering moving out of state. The survey also found that 40 percent of the businesses located in the suburbs also wanted to leave the area.

A much brighter picture is painted on the small business climate in the state of Illinois in the

October, 1984 issue of *Inc.* In *Inc's* fourth annual report on the ranking of state small business climate, Illinois was ranked 15th. This is a considerable improvement over the 1982 ranking of 33rd. This small business ranking is also considerably better than the dismal general manufacturing business climate ranking of 44th that the state received in the 1984 Alexander Grant and Company report.

During the recent National U.S. Small Business Administration Conference on Small Business Incubators, the author asked one of the presentors, "Why is the state of Pennsylvania so far ahead of the other states in the development, implementation and research of incubators?". Dr. Walter H. Plosila, Deputy Secretary for Technology & Policy Development in the state of Pennsylvania said in reply, "We developed a comprehensive long range plan for economic development and the strategies for implementation five years ago!". The pride that he demonstrated in his response was most evident. Dr. Plosila truly believes that the reason Pennsylvania is making significant progress in the small business development arena was because of the long range planning process that they utilized in the state of Pennsylvania.

A careful examination of the planning documents from the state of Pennsylvania clearly shows why they are ranked 3rd by *Inc.* in terms of the environment for small business created by states. The eight prioritized goals for which they have developed clearly focused strategies for achievement are listed below:

1. Intensify efforts to capture new and expanding markets.
2. Keep businesses competitive and jobs secure by minimizing the costs of doing business.
3. Strengthen our economy through modernization, innovation and small business entrepreneurship.
4. Matching existing and future jobs with skills available in our communities.
5. Revitalize community facilities and services in urban and rural centers.
6. Strengthen partnerships between local, state and federal governments, education, business and labor.
7. Reduce reliance on imported oil as an energy source.
8. Manage all natural resources wisely.

While it might be easy to rationalize that Illinois is not in competition with Pennsylvania, this rationale does not hold up when looking at the fact that the state of Indiana is number one in this same category. Developers in the state of Illinois are particularly well aware of the competition they are facing from Indiana and other states that have designed effective economic development plans that are clearly focused on capitalizing on their competitive advantages.

Characteristics of Small Business Owners

Small business owners come from all types of backgrounds. They are vastly different from the corporate manager. Research conducted at Purdue University found three distinct types of individuals who go into business for themselves.

The Technical Expert. This small business owner knows the product or service intimately. He or she can design, create and perform at a high level of proficiency.

The Independent Individual. Many creative people cannot function well in a corporate setting but thrive on their own. In fact, many successful small business owners who sell their businesses start new ones to avoid having to work in large corporations.

The Growth-Oriented Person. This individual starts a business to reach financial or growth goals.

Articles in the *Wall Street Journal* and *Indianapolis Magazine* and a survey of the Indiana State Chamber of Commerce's Small Business Council revealed some characteristics successful business owners share. The degree to which the characteristics shown in Figure 5 exist in an individual varies significantly.

Research conducted for the National Federation of Independent Businesses at Purdue University on entrepreneurship education, presents some interesting challenges for educa-

tional decision makers. "There are some who think that people who start businesses – entrepreneurs – are "born, not made". Yet, the study of company founders suggests that a variety of experiences which people have may make them more or less likely to start their own businesses. These experiences may involve their families, or take place in school or on the job".

Figure 5

CHARACTERISTICS OF SUCCESSFUL SMALL BUSINESS OWNERS

- Vision; intellectual creativity.
- A low patience threshold; disdain for bureaucracy.
- A consummate sales personality; contagious self-confidence.
- The esteem of his or her employees.
- Excellent communication skills; the ability to articulate the business's mission.
- Fanaticism about fundamentals.
- Attentiveness to finances and operations; involvement in every aspect of the business.
- Support for experimentation.
- The ability to think like their customers.
- Strong emphasis on developing and motivating employees and tying incentives to performance.
- Perseverance to the point of obsession.
- Commitment to heavy reinvestment in the business; a focus on long-term rather than short-term results.
- The ability to create an environment conducive to outstanding work.
- Good health; high energy.
- Street smarts.
- High levels of achievement and initiative; self-reliance.
- Measurement of performance against previous achievement, not against others; measurement of success by results.
- No need for peer approval.
- High tolerance for ambiguity.
- Enjoyment and wise use of power.
- Strong powers of concentration.
- Resilience.
- Easy accessibility to employees, customers and community.
- Maintenance of a problem-solving attitude in a crisis.

Source: The Wall Street Journal

Charts 2 and 3 highlight the research conducted on the personal characteristics and career patterns of business starters. Entrepreneurship Education must be a lifelong process. Entrepreneurs do have a need for training and education. While people of all ages start a business, many are in the age range of 25 to 40. Also, it is important to note that 40 percent of the entrepreneurs studied had only a high school degree or less.

The 1983 President's Report on Small Business contains important information about small businesses' potential, training and educational needs:

- Small businesses often suffer from lack of resources.
- Employees usually are not specialists; each does several jobs and gains far broader experience than most employees of large corporations.
- Personnel and training departments rarely exist.
- Priorities are based on short-term needs and not on long-term planning. The owners manage their businesses reactively rather than proactively.
- Employees remain with small businesses for longer periods of time and for lower salaries if they believe they are growing with the job.
- Poor management is the number one reason small businesses fail.
- Successful small business owners are active in community service and professional organizations.

A small business's first years focus on survival; in their first year 50 percent of all new businesses fail, and by the tenth year, between 80 and 90 percent have failed. The fourth year seems to be a milestone in establishing the business. Visibility, name recognition and finances usually are secure by then, and the business can focus on maintenance and growth.

These data have far-reaching implications for entrepreneurial education. If educators are to serve this major portion of the current and future employment sector, they must devise new strategies.

Chart 2

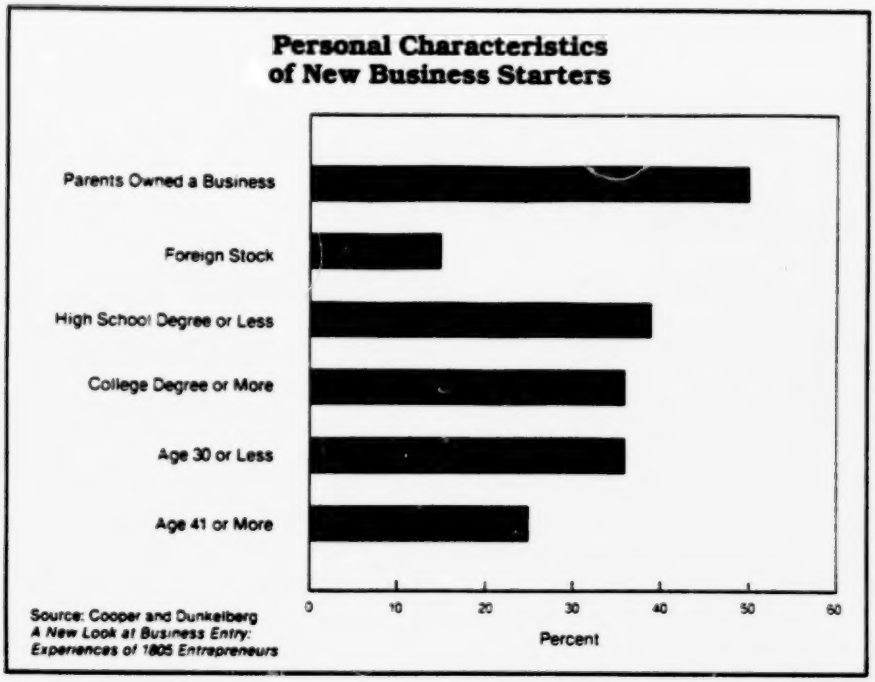
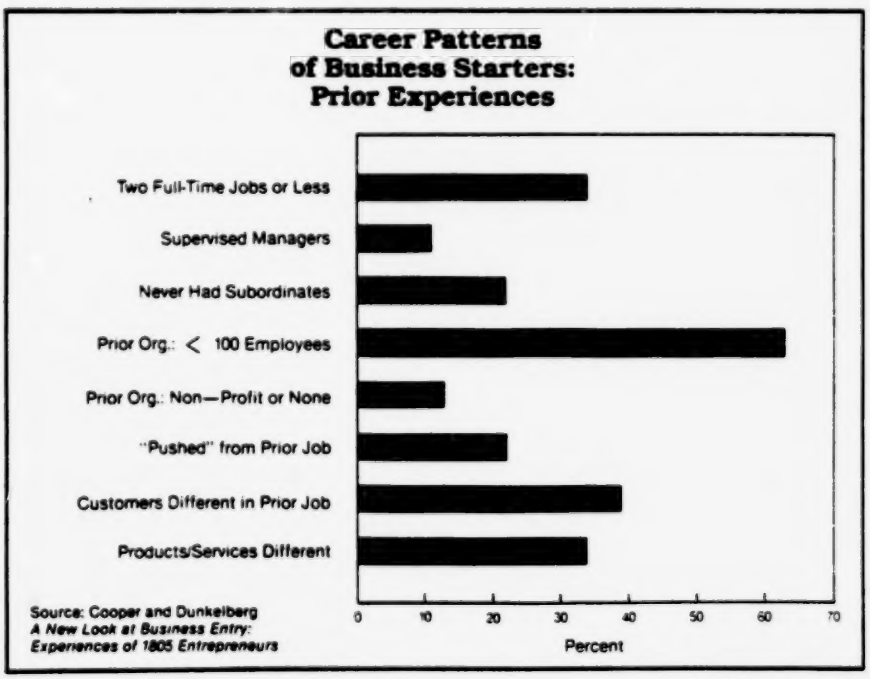


Chart 3



Assisting Entrepreneurs

Unlike large corporations, smaller businesses and new entrepreneurs generally tend to remain where they live. The key issue for them is whether or not the local environment is conducive to making a decision to expand or start-up.

Karl Vesper summarizes the forces that influence the decision to start a business:

* **Pushes.** "Negative aspects of present employment which cause individuals to look for something else, either another job or a start-up". An individual may be discontent with current employment or even out of work.
* **Pulls.** Pulls take different forms. Entrepreneurship may be viewed "as a path for pursuit of occupational happiness" - the lure of independence, the chance to pursue an idea, seize an apparent market opportunity or be fully rewarded for performance.
* **Barriers.** Characteristics of the individual and the environment that inhibit start-up can range from the lack of a viable idea or technical skills, to the lack of seed capital and capable local labor.
* **Environmental Helps.** Characteristics of the local environment that support start-ups are:
  - Market contacts
  - Local incubator companies
  - Capable local manpower
  - Technical education and support
  - Supplier assistance and credit
  - Local venture capitalists
  - Venture-savvy bankers
  - Capable local advisors
  - Entrepreneurial education
  - Successful role models

In addition to locational factors, studies show that the presence of support services such as education and training, research and a supportive fiscal and regulatory climate are important forces for an entrepreneurial economy.

New economic activity derives most often from an economic function. New enterprises often form to seize a local market opportunity – providing a new product or serving as a local supplier to a large company, public or non-profit institution. It is safe to say that the businesses that are doing well in a particular community give the best indication of its competitive advantage.

Vesper in making recommendations for a national entrepreneurship policy offers the following nine suggestions:

* Seed Financing: Start-Up Targeted Venture Capital
* Equity Risk/Reward Participation by Federal Government
* Zero Gains Tax on Capital Left in Start-Ups
* Entrepreneurially-Targeted Procurement
* Use of Patent System to Encourage Entrepreneurial Activity
* Fostering of Entrepreneurship by Educational Institutions
* Explicit Recognition of Entrepreneurship
* Knowledge Base for Better Policy Judgements Going Forward
* Applause for Exemplary Entrepreneurial Performance

Finally, it is appropriate to explore two specific strategies that can make a difference in the success of small business and the economic development of any given community, region or state: incubators and entrepreneurship education.

Incubators Shelter New Entrepreneurs

What may be one of the most accessible and, potentially, the most effective local economic development strategies, is also very risky. Studies show that small businesses are the least stable employers. According to most analysts, approximately half of all small businesses fail

within their first year or at least go out of business.

The high death rate among small businesses has many explanations. The two most often targeted areas are undercapitalization and poor management.

For a number of years, community groups and local governments have addressed these problems with financing programs, subsidized development costs, tax abatements, business assistance, and so on. But these services have not always been as effective as they hoped.

Cost and accessiblity of these services are the main problems. Often housed in one or more central locations in the city or community, people running businesses outside the central areas found it difficult to use them regularly. In addition, fees for some of these services were often more than a fledgling entrepreneur could afford.

The concept of business incubators is a natural outgrowth of these trends and practices. They are packaged and focused differently to make a greater impact on the development of small businesses in a particular community. Business incubators are designed to meet the needs of entrepreneurs -- coordinating services and financial resources and reducing the costs and risks which all new businesses face.

The hope is that concentrating on a few businesses will increase their chance of survival. By having services on-site, they should be more effective at serving small business needs. By offering rent and services at below market rates, undercapitalized firms may make their dollars stretch farther. By putting a number of small businesses in one building, they can benefit from one another's presence, both by reducing the costs of common services and sharing their ideas and experiences. With these advantages the risks to lenders and investors are reduced, allowing small businesses to obtain the capital they need to weather the first few years in business.

The concept can be adapted to meet the purposes of a community by using local resources. Community groups interested in job creation for unemployed residents may focus on nurturing manufacturing firms with lower costs and some minimal local hiring requirements. Cities interested in revitalization of commercial areas may undertake a retail incubator. Educational agencies may want to make use of their faculty, students and research facilities to bring about new products and technologies, and to provide practical experiences for their students. Communities with abandoned plants may find a productive use for these highly visible and discouraging properties. Public schools that are standing partly empty may wish to support their community and use adult education funds to develop new business in the community and jobs for their students. Incubators truly serve many purposes.

Business incubators seem to have a certain appeal to many potential public, non-profit and private developers. This concept has attracted many because business incubators are relatively small, yet they hold much promise. They are also attractive to the public, the media, funders and investors. They seem sort of logical and obvious, like any good idea once it is clearly articulated. In any event, the number of these facilities has leaped in the past few years and curiosity about them soars. From about 80 of these incubators known in the U.S. in 1985, the SBA predicts development of thousands of incubators in the next five years.

Benefits of Small Business Incubators

An incubator is a facility with adaptable space which small businesses can lease at a reduced rate and on flexible terms. Typically, support services are available on an as-needed basis. Financial assistance or management and technical assistance services may also be offered. Most incubators limit the amount of time a tenant may occupy space in the facility; this period usually ranges from two to five years. Some local economic development agencies offer space in nearby industrial parks to businesses that have "graduated" from the small business incubator.

An incubator can reduce the obstacles to new business formation and expansion by:

* offering below-market-rate space on flexible terms
* eliminating building maintenance responsibilities
* allowing tenants to share equipment and services that would be otherwise unavailable or unaffordable

* increasing entrepreneur's awareness of and access to various types of financial and technical assistance that may be available
* providing an environment where small businesses are not alone, thereby reducing the anxiety of starting a new business as well as offering incubator tenants an opportunity to give each other business
* increasing the business tenants' visability

The community also benefits from establishment of a small business incubator by:

* transformation of underutilized property into a center of productivity
* creation of opportunities for public-private partnerships
* diversification of the local economic base
* enhancement of the locality's image as a center of innovation and entrepreneurship
* revitalization of the immediate surrounding area
* increased employment opportunities

Essential Dimensions of Incubators

While there are many ways in which incubators can differ, there are five essential dimensions of development and operation that are generally found among existing incubator facilities that the U.S. Small Business Administration has identified and explained: (1) sponsor and development objective(s); (2) building type and location; (3) tenant composition (target market); (4) rent, fee, and graduation policies; (5) range of support services.

1. **Sponsor and objectives.** Incubator facilities have been started and operated by cities, counties, regional authorities, large corporations, small companies, universities, community colleges, area vocational centers, chambers of commerce, not-for-profit development groups, and private real estate developers. Motivations for involvement in incubator projects include one or more of the following: profit, utilization of vacant outlets for sponsor products and services, general economic and business development, or some combination. While many of these common objectives are complimentary, they are also potentially in conflict, and incubator developers need to keep their goals and priorities in mind at all times.
2. **Building type and location.** Incubators have been located in depressed urban industrial environments, retail shopping strips, near universities, on community college and area vocational center campuses, in industrial and science parks, and in small towns far removed from metropolitan areas. Most operating incubators are in older, renovated manufacturing or warehouse structures, although some new buildings have been constructed to house incubator facilities. These tend to be private-sector owned and operated. The physical layout, architectural and rehabilitation cost, subdivision of space and utilities, and furnishing of common areas and individual spaces all effect the cost of the project and the rents and fees that tenants have to pay.
3. **Tenant composition (target market).** Incubator sponsors often designed the facility to attract tenants in particular industries or with well-defined physical needs that the building provides (e.g., wet laboratory space or a railroad spur). One popular perception is that incubators are for high technology start-ups, and a large number are. Experience has shown that most private sector incubator sponsors (e.g., Control Data, Technology Centers, Inc.) design projects specifically for technology-based ventures to capitalize on the potentially high growth and returns within high tech industries. Educational agency-connected incubators also have adopted this orientation to take advantage of potential synergies between firms and the institutions' educational, training and research capabilities; provide entrepreneurial opportunities for faculty, staff, and students, and to provide training and job opportunities for students.

   However, many incubators have achieved spectacular results with low or no-tech occupants in manufacturing, assembly, service, wholesale, and retail industries. While most facilities use some leasing criteria and screen potential tenants, some have succeeded by initially renting to anyone who was interested. This demonstrates the poten-

tial danger of "over-managing" an incubator project when local economic and entrepreneurial environments make such control inappropriate.

While the incubator concept is aimed at new, start-up businesses, several project directors have found it advantageous to include established firms in their tenant mix. These companies can provide more reliable cash flow, afford higher rents, and stabilize the facility during the potentially lengthy lease-up period.

4. **Rent, fee, and graduation policies.** Incubator leases may be uniformly structured with prespecific rents, or handled case-by-case according to the individual firm's circumstances and needs. It is not uncommon for an incubator director to defer or restructure rent obligations due to unexpected business downturns or upswings. Some sponsors may accept an equity position in the tenant firm as part of the tenancy agreement.

   Base rent in an incubator may or may not include utilities and a common core of services with unlimited access. Many services and business machines are provided on a fee basis so that firms only pay for what they use. Incubator sponsors often price their services at or below cost in order to minimize tenants overhead. Some project directors have developed sophisticated accounting procedures for establishing service fees and options, negotiating fees.

   Of course, the rent and service price levels set are influenced by the cost of acquiring, renovating, and operating the facility and the sponsor's expected return on investment. Public sector sponsors may wish to subsidize the facility's operating costs after determining that the marginal loss on rent or services is less than the benefit of reducing tenant's operating expenses, although this is appropriately a public policy question. Incubator sponsors should pay close attention to the decision to set fees at, below, or above the cost of providing space and services. The result directly affects the fortunes of the tenant businesses and the achievement of the project's long-term goals.
5. **Range of support services provided.** There is nearly an infinite number of service combinations that sponsors can offer tenants in incubator buildings. Most new and small firms do not generate a sufficient volume of business to justify full-time administrative help, and such needs can be provided centrally by the sponsor. These normally include typing, stenographic, copying, mailing, shipping, phone answering, and reception services. Conference rooms, business and technical libraries, credit reports, insurance, and joint purchasing arrangements are amenities also provided by incubator facilities. Some inclubator managers may contract or arrange for professional services, consultants or other business development resources through private and public sector organizations or programs. It is important for the incubator director to have working relationships with public officials involved in business development so that tenants can be referred quickly to appropriate assistance sources.

The opportunity for education to assist in providing these services is most evident. Cooperative vocational education students can be placed either with the administration or with the small business owner. Customized training can be provided together with management and technical assistance. The potential for serving as a clearinghouse is also available for creative vocational administration. The directors of many incubators would welcome a viable working partnership.

The SBA's Office of Private Sector Initiatives provides the following services for incubators:

* A national clearinghouse of information on small business incubators.
* A national database on incubator projects around the country (in progress).
* Specialized conferences and educational programs on developing and managing successful incubator facilities, designed to reach an audience of small businesses, potential incubator sponsors or investors, economic development profssionals, and state and local officials.
* Technical assistance to communities or organizations sponsoring small business incubator projects.
* A promotional campaign to increase corporate awareness of the role incubators can play in a strategy to support local community and economic development.

* Speakers or speaker referrals for small business and economic development conferences held by other organizations interested in incubators.
* Publications to promote and share information on small business incubators:
  - *Incubator Times*, a newsletter designed to promote and snare information on small business incubator initiatives nationwide.
  - "Resource Summary on Small Business Incubator", includes major incubator studies, an incubator overview and other contact organizations.
  - *Starting a Small Business Incubator: A Handbook for Sponsors and Developers.*

The SBA's Office of Advocacy/State & Local Affairs provides:

* Up-to-date information on state and legislative initiatives to promote small business incubators.

The SBA Financial and Management Assistance Programs provide:

* A variety of assistance programs available to small business incubator tenants, including SCORE/ACE (Service Corps of Retired Executives and Active Corps of Executives); Small Business Institute (SBI); Small Business Development Centers (SBDC) and various small business loan programs. For information on these programs contact your local SBA District Office and request "Your Business and SBA," OPC Pamphlet #2.

Entrepreneurship Education "The Seed of Economic Development"

Education for this nation's entrepreneurs is needed. Small business men and women confront a myriad of difficulties, and they often feel all alone against the world, single-handedly fending off bureaucrats and competitors. They need specialized information about their business as well as general knowledge about why and how small businesses succeed and fail. Small business leaders are busy reacting to events that are largely beyond their control. They are so busy that they are largely invisible to the general American public.

Americans have been brought up to think big when they think business, but many of the true heroes of American business today are the pioneers of small business. The small manufacturers and producers of business services are especially vital as they translate the new technologies into consumer products and employment opportunities. Working largely on their own in an incredibly fast-moving and worldwide business situation, they have to match wits on problems, technologies, and opportunities against other individuals around the world. This is no place for the bored or the lazy.

But how many Americans know either what small business owners are doing or how important it is to the nation that they succeed? Particularly, how many students in high school know about opportunities for adventure, challenge, bankruptcy and good income open to the small entrepreneur? Do educational institutions emphasize educaton only for "jobs" in big business and the professions? They should at least consider bringing the successful small business man and woman to the schools to tell their stories and their visions.

Historically a variety of organizations have developed programs to prepare people for new venture creation, there have been limited opportunities to build networks to deliver education and training appropriate for the different types of entrepreneurs. What is needed is a realistic, coordinated plan that would bring together programs that affect entrepreneurial education to one degree or another. The result would be coordination among agencies that now frequently work at cross purposes, and greater efficiency in the expenditure of public funds. A plan could provide the framework under which a range of public and private sector agencies-commerce, industry, labor, government and education at all levels could work together toward economic development goals that they could not achieve alone.

Illinois is one of over twenty states which are in the process of creating state entrepreneurship education networks in affiliation with the National Entrepreneurship Education Network at the National Center for Research in Vocational Education. Entrepreneurship education as visioned by the members of the National Entrepreneurial Education Network is a comprehensive program designed to serve the diverse needs of a broad population base. The Lifelong

Entrepreneurship Education Model that was developed at the National Center for Research in Vocational Education has been adopted by the state Entrepreneurship Education Networks. The five stages in the Entrepreneurship Education Model are presented below and illustrated in Figure 6.

Stage 1 - Entrepreneurship career awareness, basic skills, and economic literacy.
Stage 2 - Entrepreneurship interest and awareness.
Stage 3 - Creative application of occupational skills and entrepreneurship competencies.
Stage 4 - Entrepreneurship venture development.
Stage 5 - Long-term expansion/redirection.

The model is designed to illustrate that entrepreneurship is developed over an extended period of an entrepreneur's life, and does not take place in any one setting or at one specific time. The model defines the difference one would expect to see in varied types of entrepreneurial programs. Another strength of the model is that it also indicates the importance of defining a number of important needs and learning processes before infusing entrepreneurship into any education program.

Figure 7 contains a proposed National Management Model for Entrepreneurship Education that is based on the need for creating partnerships through networking at the local, regional, state, and national levels. The process oriented model is driven by "Top Down Suport" and Bottom Up Commitment" concepts. This management model, if adopted, would create an effective communications tool for building private and public sector partnerships through networking and would also help to serve as a means of expanding the existing entrepreneurship education structure.

To assist in the creation of entrepreneurship education at local, regional, and state levels a strategic plan has been developed that can be used to facilitate program development. This plan for marketing entrepreneurship education is illustrated in Figure 8.

Entrepreneurship Education in Illinois

A number of states are now in the process of creating state action plans for entrepreneurship education. Listed below are the first year's accomplishments of the State of Illinois Entrepreneurship Education Task Force.

1. Identified and studied existing entrepreneurship education programs throughout the state and nation.
2. Identified and studied existing organizations (public and private) involved in the delivery of programs that prepare and upgrade the competencies of entrepreneurs.
3. Served as an advisory body for existing entrepreneurship education activities.
4. Identified what was needed (i.e., resources, programs, cooperative relationships) to achieve the mission of the task force.
5. Served as a catalyst for identifying and creating a permanent management body to promote and implement entrepreneurship education in the state of Illinois.
6. Provided initial leadership to help transfer the responsibilities to the permanent management body for entrepreneurship education.
7. Developed "An Action Plan for Entrepreneurship Education in Illinois."

The task force made the following four recommendations, that if implemented would serve as viable long-term strategies for implementing entrepreneurship education.

1. Identify and operationalize a permanent management body for Entrepreneurship Education with membership from facilitators and providers of entrepreneurship to:
   a. Promote entrepreneurship as a career option.
   b. Initiate teacher education programs within various educational systems.
   c. Promote the development of innovative entrepreneurship education delivery systems for entrepreneurship education.
   d. Promote business/industry/education partnerships, collaboration, and involvement in entrepreneurship education programs.
   e. Oversee entrepreneurship education as a long-term development process.

Figure 6

A FRAMEWORK FOR LIFE-LONG ENTREPRENEURSHIP EDUCATION: THE MODEL

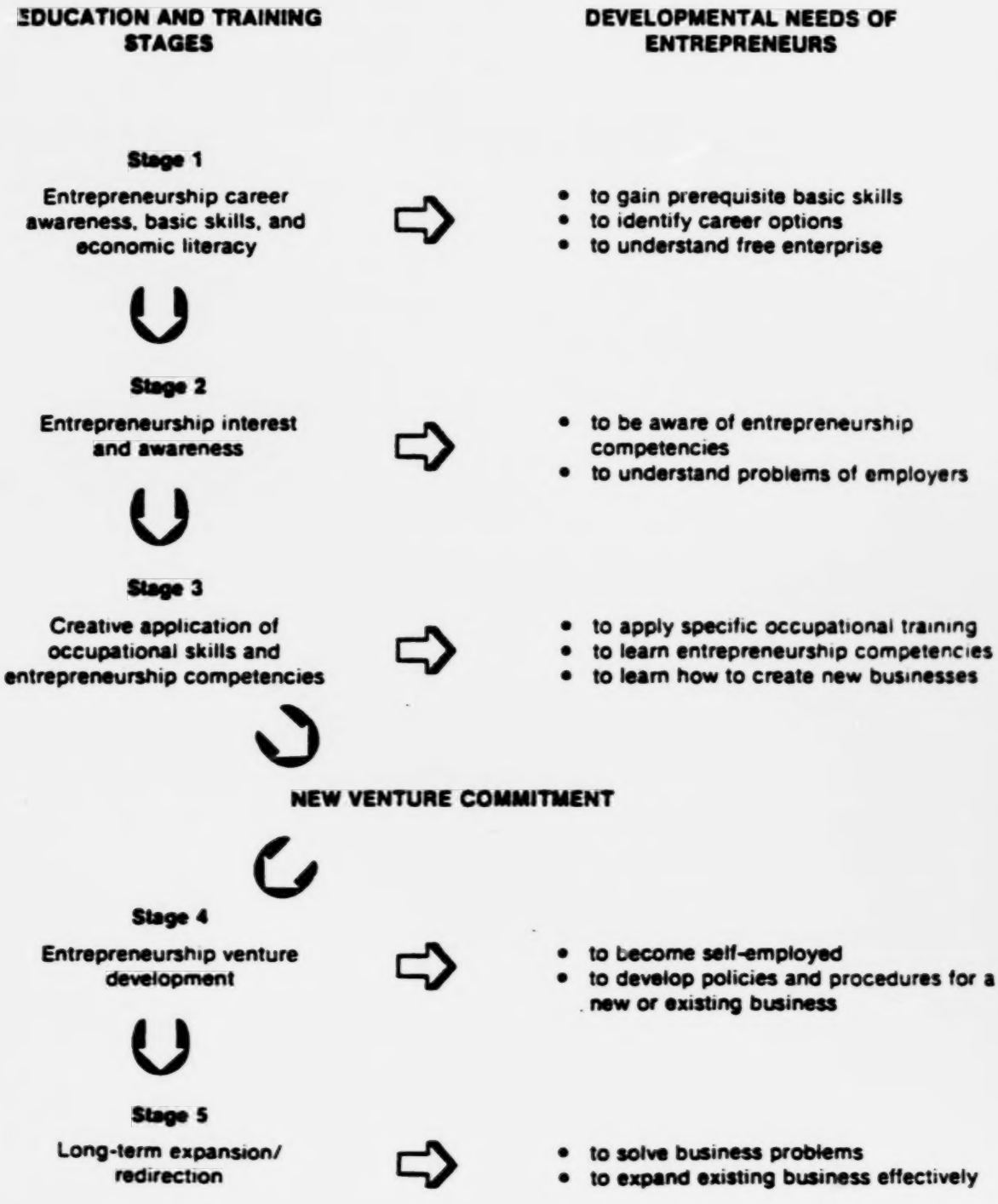

EDUCATION AND TRAINING STAGES
DEVELOPMENTAL NEEDS OF ENTREPRENEURS
Stage 1
Entrepreneurship career awareness, basic skills, and economic literacy
• to gain prerequisite basic skills
• to identify career options
• to understand free enterprise
Stage 2
Entrepreneurship interest and awareness
• to be aware of entrepreneurship competencies
• to understand problems of employers
Stage 3
Creative application of occupational skills and entrepreneurship competencies
• to apply specific occupational training
• to learn entrepreneurship competencies
• to learn how to create new businesses
NEW VENTURE COMMITMENT
Stage 4
Entrepreneurship venture development
• to become self-employed
• to develop policies and procedures for a new or existing business
Stage 5
Long-term expansion/ redirection
• to solve business problems
• to expand existing business effectively

Figure 7

PROPOSED NATIONAL MANAGEMENT MODEL FOR ENTREPRENEURIAL EDUCATION

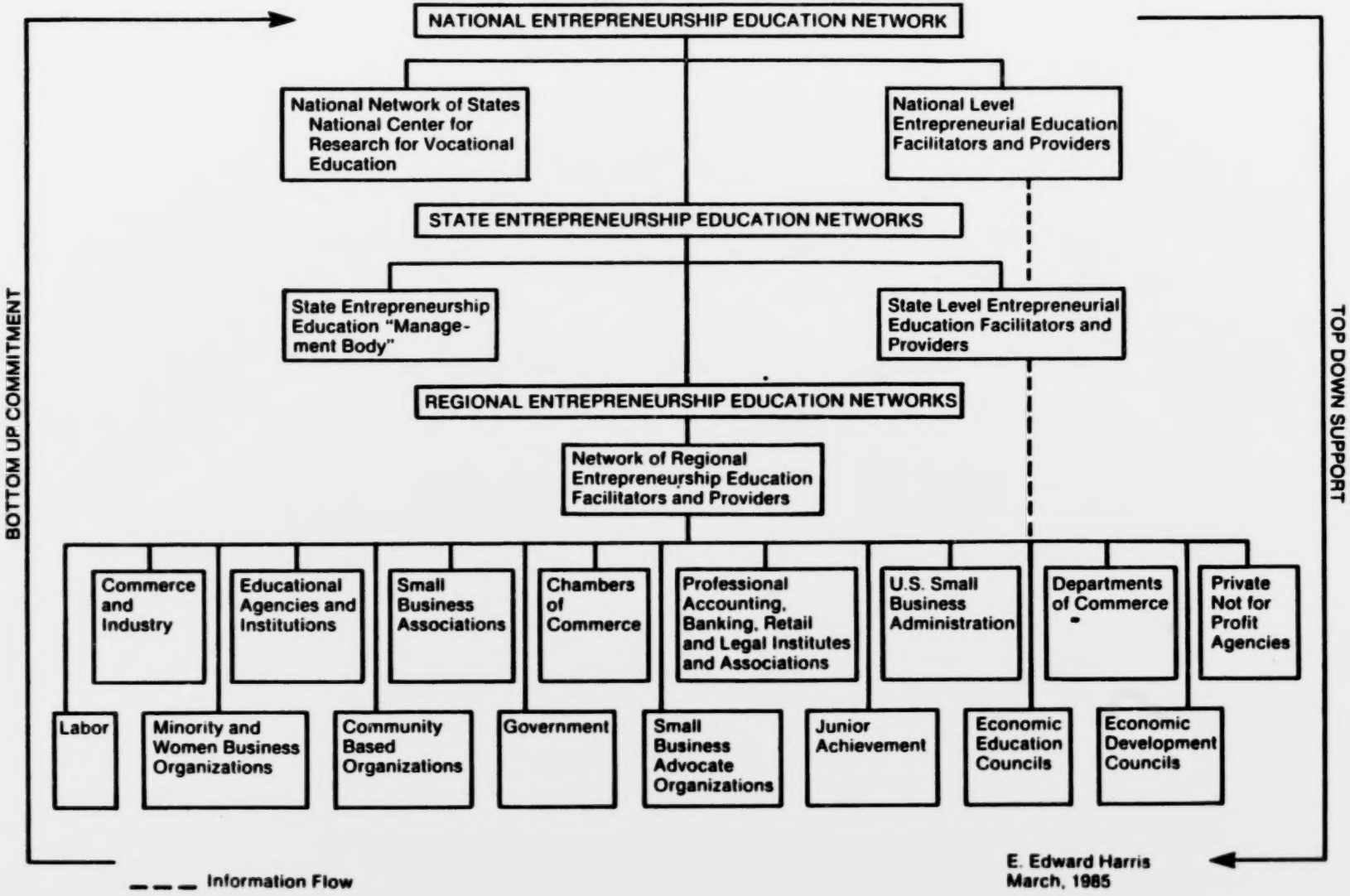
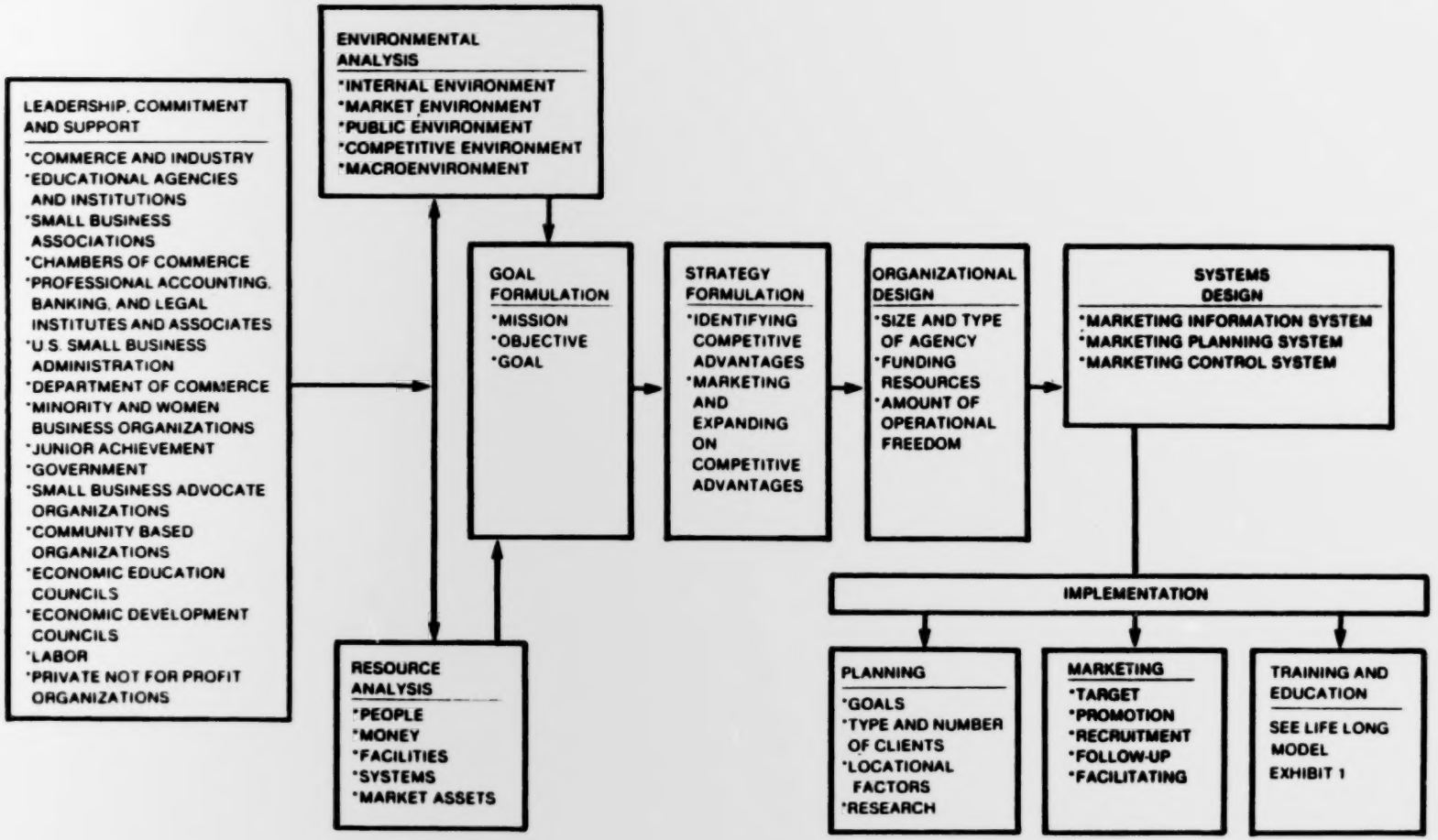

NATIONAL ENTREPRENEURSHIP EDUCATION NETWORK
National Network of States National Center for Research for Vocational Education
National Level Entrepreneurial Education Facilitators and Providers
STATE ENTREPRENEURSHIP EDUCATION NETWORKS
State Entrepreneurship Education "Management Body"
State Level Entrepreneurial Education Facilitators and Providers
REGIONAL ENTREPRENEURSHIP EDUCATION NETWORKS
Network of Regional Entrepreneurship Education Facilitators and Providers
Commerce and Industry
Educational Agencies and Institutions
Small Business Associations
Chambers of Commerce
Professional Accounting, Banking, Retail and Legal Institutes and Associations
U.S. Small Business Administration
Departments of Commerce
Private Not for Profit Agencies
Labor
Minority and Women Business Organizations
Community Based Organizations
Government
Small Business Advocate Organizations
Junior Achievement
Economic Education Councils
Economic Development Councils
BOTTOM UP COMMITMENT
TOP DOWN SUPPORT
Information Flow
E. Edward Harris
March, 1985

Figure 8

A STRATEGIC PLAN FOR THE MARKETING OF ENTREPRENEURIAL EDUCATION



E. Edward Harris
April 1985

2. Identify and support a person to serve as Entrepreneurship Education coordinator working as a facilitator with the permanent management body.
3. Convene the permanent management body to develop a strategic plan, including goals, activities, timelines and responsibilities to achieve specific goals of the plan.
4. Provide the resources necessary to carry out the above recommendations.

An Investment in Entrepreneurship Education

The Illinois Office of Education Department of Adult, Vocational and Technical Education has funded a project to establish in-service and pre-service teacher education program in entrepreneurship education. This entrepreneurship education research that was conducted at Northern Illinois University should enjoy substantial support from a wide variety of agencies. Listed below are some of the procedures that were followed in the first year:

1. Conduct training programs in entrepreneurship education for adults.
2. Develop criteria for identifying exemplary entrepreneurship education programs.
3. Conduct in-service and pre-service entrepreneurship education teacher education programs to train SBA certified counselors.
4. Conduct a pre-service and in-service course entitled "Instructional Materials and Strategies in Entrepreneurship Education."
5. Prepare resource listing ongoing entrepreneurship education programs in the state of Illinois.
6. Provide technical assistance for preparing entrepreneurship education programs to become exemplary demonstration sites.

The Challenge in Perspective

There is little question that small business currently plays a significant role in the economy of the United States. Small business will continue to help restore competitiveness by helping to improve technology utilization, management practices, labor relations, education and training, and capital investment.

In 1840, Alexis de Tocqueville provided one of the more interesting observations ever made about the American economy. He wrote: "...what most astonished me in the United States is not so much the marvelous grandeur of some undertakings at the innumerable multitude of small ones." Should an equally observant Frenchman visit this land in the year 2040, he would make a similar observation.

The state of Illinois has during the past two years made strides in the contributions of small business and in responding to their needs. Governor James Thompson has appointed a Small Business Advisory Council that is chaired by Lieutenant Governor George Ryan. The 1985 council will devote a major portion of their time addressing the recommendations emanating from the 1984 small business agenda. The following individuals will be chairing Task Forces under the leadership of Lieutenant Governor Ryan: E. Edward Harris, Regional Economic Development; Melvin Boldt, State and Federal Implementation; Celeste "Cissy" Stiehl, Women and Minority Businesses; and Tom Skiles, Health and Productivity.

Illinois has also established an official small business assistance program called the "Illinois Plan" under the leadership of Michael T. Woelffer. It consists of five programs administered by the Department of Commerce and Community Affairs (DCCA) to bring help to business. Essential to the plan are the small business development centers around the state which are co-sponsored by the Small Business Administration (SBA). At these centers, interested persons can obtain basic management assistance such as preparing a business plan, accounting and marketing. The objective is to create "one stop" business assistance centers for small businesses. There are currently forty centers in operation.

The ability of economic development decision-makers to capture the "entrepreneurial spirit" may well provide the answer. The unique proven advantages of small business such as creating 80 percent of the new jobs, being 2.4 times more productive per employee, being 24 times more productive per dollar of research and development expenditures, flexibility, willingness to take risks, and being responsive to needs of employees and communities serving must be fostered through effective private and public sector partnerships. There is no single magical solution that will end the economic problems, but that should come as no surprise. The strategies that are needed, both private and public, are complex and difficult. Success will require imagination, cooperation and hard work. However, the contributions of small business will continue to be significant. Economic development planning in the state of Illinois in the decades ahead must be sensitive and responsible to the contributions of small business and entrepreneurship.

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